

Message Text

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67

ACTION EUR-25

INFO OCT-01 AF-10 NEA-10 IO-13 ADP-00 IGA-02 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-02 INR-09

INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20

CIEP-02 SS-14 STR-08 TAR-02 TRSE-00 USIA-12 PRS-01

SAL-01 OMB-01 RSR-01 /200 W
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R 091832 Z MAR 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3793

INFO USINT ALGIERS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AEMBMEASSY DUBLIN 380

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY ROME

AMEMBASSY TEL AVIV

AMEMBASSY TUNIS

USMISSION EC BRUSSELS

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DEPARTMENT PASS USINT CAIRO

E. O. 11652: GDS

TAGS: ETRD, US, EEC, GW

SUBJ: EC/ COUNCIL MEETING: MARCH 5-6

REF: A. EC BRUSSELS 1199; B. BONN 3151

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1. SUMMARY: FOREIGN OFFICE PARTICIPANTS VIEW THE MARCH 5-6 COUNCIL MEETING AS EVIDENCE THAT AN AGREED EC MEDITERRANEAN POLICY IS STILL MONTHS AWAY. THE ONLY REAL CONSENSUS, THEY BELIEVE, IS THAT AGREEMENTS WITH SPAIN AND ISRAEL MUST HAVE RECIPROCAL TRADE CONCESSIONS. THE CONFLICTING ATTITUDES REGARDING REVERSE PREFERENCES FOR NON- EUROPEAN DEVELOPING COUNTRIES REMAIN AS HARD AS EVER. FRG OFFICIALS QUESTION THE COMMISSION' S CONTENTION THAT THEMAGREB STATES PREFER REVERSE PREFERENCES AND MAY INSTRUCT FRG EMBASSIES TO TAKE THEIR OWN SOUNDINGS. THE FOREIGN OFFICE REITERATED AN APPEAL THAT WE HAVE HEARD REPEATEDLY IN RECENT WEEKS, THAT IS, THAT THE US HELP OUT THE EC OPPONENTS OF REVERSE PREFERENCES BY PROVIDING INFORMAL ASSURANCE THAT WE WOULD TOLERATE ONE WAY FREE TRADE AGREEMENTS BETWEEN THE EC AND NON- EUHEAN LDC' S WHILE RESERVING OUR GATT RIGHTS, INCLUDING CONSULTATION AND POSSIBLE ADJUSTMENT IN SPECIFIC CASES OF TRADE DAMAGE. ACTION REQUESTED: IN ANTICIPATION OF RENEWED COMMISSION SOUNDING WITH THE MAGREB STATES, WE MIGHT WISH TO REITERATE OUR VIEWS AGAIN CONCERNING REVERSE PREFERENCES IN THESE CAPITALS. END SUMMARY.

2. TRUMPF' S (FOREIGN OFFICE, EUROPEAN INTEGRATION) READOUT OF THE VIEWS IN THE COUNCIL SESSION APPROXIMATED THAT OF REFTEL A. HE SAID THE COMMISSION, SECONDED BY THE FRENCH, BELGIANS AND LUXEMBOURGERS, PLEADED FOR " FULL RECIPROCITY." THEY ARGUED THAT ARTICLE XXIV OF THE GATT REQUIRED RECIPROCAL CONCESSIONS, SPOKE OF " LEGAL OBLIGATIONS" ARISING FROM EARLIER AGREEMENTS AND THE ROME TREATY, AND STRESSED THAT THE NON- EUROPEAN LDCS COULD OFFER THE SAME PREFERENCES TO THIRD COUNTRIES AS THEY

DID TO THE EC.

3. THE BRITISH, GERMANS, DUTCH AND DANES REJECTED THIS LEGALISTIC APPROACH AND EMPHASIZED THEIR OPPOSITION TO REVERSE PREFERENCES. ACCORDING TO TRUMPF, THE GERMANS DECLARED THAT THE JOB OF THE EC LAWYERS WAS NOT TO RAISE DIFFICULTIES BUT TO FIND WAYS TO " SUPPORT WHAT IS POLITICALLY RIGHT" WITH REGARD TO OVERALL EC POLICY, WHICH INTER ALIA TAKES US INTERESTS INTO ACCOUNT. THE FRG PRODUCED ITS LEGAL INTERPRETATION, BASED ON AN EXTENSION OF ARTICLE XXIV AS WELL AS ARTICLE XVIII AND THE AS YET NOT RATIFIED PART IV, WHICH HELD THAT THE COMMUNITY DID NOT HAVE TO INSIST ON RECIPROCITY IN FREE TRADE AREAS WITH DEVELOPING COUNTRIES. (REFTEL A AND B).
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4. THE ITALIANS STRADDLED THE ISSUE INSISTING ON THE COMMISSION RAISING THE REVERSE PREFERENCE QUESTION AGAIN WITH THE MAGREB COUNTRIES. THE COMMISSION UNDERTOOK TO DO SO RELUCTANTLY; DENIAU CONTENDED SUCH HAD BEEN DONE BEFORE THE COMMISSION' S PROPOSAL HAD BEEN FORMULATED. THE FOREIGN OFFICE IS CONSIDERING REQUESTING GERMAN EMBASSIES IN THE MAGREB STATES TO RAISE THIS ISSUE WITH THEIR HOST GOVERNMENTS, PRESUMABLY TO CHECK ON THE COMMISSION INTERPRETATION; WE INFORMALLY ENCOURAGED SUCH AN INQUIRY.

5. TRUMPF REPEATED AN APPEAL WE HAVE HEARD AT SEVERAL LEVELS WITHIN THE PAST MONTH. HE INSISTED THAT THE GERMAN AND BRITISH VIEWS COULD PROBABLY PREVAIL IF THE EC COULD GET AN INFORMAL ASSURANCE THAT WE WOULD TOLERATE ONE- WAY FREE TRADE AREAS BETWEEN INDUSTRIAL AND DEVELOPING COUNTRIES, WHILE RESERVING OUR GATT RIGHTS FOR CONSULTATION AND ADJUSTMENT IN SPECIFIC CASES OF TRADE DAMAGE. WITHOUT MORE PRECISE KNOWLEDGE OF THE US POSITION, THE OPPONENTS OF THE FRENCH AND COMMISSION VIEWS CANNOT PUT TO REST IN BRUSSELS THE CLAIM THAT THE US INTENDS TO USE THE REVERSE PREFERENCE ISSUE TO DESTROY THE EC' S MEDITERRANEAN POLICY, HE SAID.

6. TRUMPF CONFIRMED THE LACK OF PROGRESS ON THE ISSUES OF COOPERATION AND AGRICULTURAL CONCESSIONS. NO WORK WILL BE DONE ON THE COOPERATION ASPECT FOR A COUPLE OF MONTHS UNTIL THE EC' S REPORT ON AID TO LDC' S ON A WORLD- WIDE BASIS IS COMPLETED. HE NOTED THAT THE FRG ECONOMICS MINISTRY OPPOSES A LARGE AID ELEMENT IN THE EC' S MEDITERRANEAN POLICY BECAUSE THIS WOULD REQUIRE GERMAN FUNDS. THIS VIEW IS REPORTEDLY SHARED BY THE UK AND OTHER NORTHERN EC STATES. THE FRENCH AND ITALIANS, ON THE OTHER HAND, CONTEND THAT AGRICULTURAL CONCESSIONS WOULD BE AT THEIR EXPENSE; THUS THEY DEMAND A LARGE AID COMPONENT, SAID TRUMPF.

7. AT ONE POINT IN THE COUNCIL DISCUSSIONS, THE ITALIANS SUGGESTED THAT THE PERSIAN GULF STATES SHOULD ALSO BE INCLUDED IN ANY MEDITERRANEAN POLICY. SUCH A MOVE WAS NECESSARY, THEY REPORTEDLY SAID, BECAUSE OF THE ACUTE INTERNATIONAL ENERGY PROBLEM. ACCORDING TO TRUMPF, THE COUNCIL QUICKLY SHOT DOWN THIS SUGGESTION, SAYING THAT ENERGY WAS A SEPARATE MATTER AND MUST BE CONSIDERED AS PART OF THE EC ENERGY POLICY. A MAJOR LIMITED OFFICIAL USE

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REASON FOR THIS POSITION, SAID TRUMPF, WAS THE COUNCIL' S RECOGNITION THAT THE US WOULD REACT NEGATIVELY TO THE ITALIAN PROPOSAL.

8. TRUMPF CONCLUDED BY CITING HIS JUDGEMENT TO THE EFFECT

THAT THE DIVERGENCE OF OPINION WAS SO WIDE THAT AGREEMENT ON
A MEDITERRANEAN POLICY WAS SOME MONTHS AWAY. HILLENBRAND

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